



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
COUNTY FORMATION REVOLVING FUND
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT F-441.13

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

441.13

FINANCIAL AUDIT REPORT
COUNTY FORMATION REVOLVING FUND
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

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November 21, 1980

441.13

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits
the Auditor General's financial audit report of the County
Formation Revolving Fund, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael Dendorfer, CPA;
Gus Demas; and Fredrick Lewis.

Respectfully submitted,

Floyd Mori
S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the County Formation Revolving Fund. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

Government Code Section 23344, added by Chapter 1247 of the Statutes of 1975, created the County Formation Revolving Fund, which is administered by the State Controller, to provide loans to County Formation Review Commissions. These commissions meet to review proposed county creations. This legislation provided for a permanent working capital advance of \$100,000 from the General Fund. Section 23344 of the Government Code, as amended by Chapter 465 of the Statutes of 1978, augmented the amount of this advance by an additional \$300,000.

Section 23344 of the Government Code requires that all loans be repaid within one year of the date the people voted on the issue of county formation. If a new county is created, the loan is repaid by the new county. If a new county

is not formed, the loan is repaid by each affected county in equal shares. Repayments of loan and interest must be deposited in the County Formation Revolving Fund.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the County Formation Revolving Fund as of June 30, 1979 and the related statements of revenue, expenses, and changes in fund balance and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the County Formation Revolving Fund at June 30, 1979 and the results of its operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



WESLEY E. VOSS
Assistant Auditor General

Date: October 5, 1980

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Gus Demas
Fredrick Lewis

STATE OF CALIFORNIA
COUNTY FORMATION REVOLVING FUND

BALANCE SHEET

JUNE 30, 1979

ASSETS

Cash	\$242,041
Loans receivable (Note 2)	<u>175,001</u>
Total Assets	<u>\$417,042</u>

FUND EQUITY

Fund Balances:	
Reserved for loans	\$175,001
Unreserved:	
Designated for loans	<u>242,041</u>
Total Fund Equity	<u>\$417,042</u>

The notes to the financial statements are an integral part of this statement.

STATE OF CALIFORNIA
COUNTY FORMATION REVOLVING FUND

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Operating Revenues:	
Interest	<u>\$ 10,410</u>
Operating Transfers In (Note 3)	<u>300,000</u>
Total Operating Revenues and Operating Transfers In	<u>310,410</u>
Fund Balance - July 1	<u>106,632</u>
Fund Balance - June 30	<u><u>\$417,042</u></u>

The notes to the financial statements are an integral part of
this statement.

STATE OF CALIFORNIA
COUNTY FORMATION REVOLVING FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Sources of Working Capital:

Operations:	
Interest	\$ 10,410
Operating transfers in (Note 3)	<u>300,000</u>
Increase in Working Capital	<u>\$310,410</u>

Elements of Increase in Working Capital:

Cash	\$242,041
Loans receivable	<u>68,369</u>
Increase in Working Capital	<u>\$310,410</u>

The notes to the financial statements are an integral part of this statement.

COUNTY FORMATION REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position, results of operations, and changes in financial position of the County Formation Revolving Fund. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The County Formation Revolving Fund is a nonexpendable trust fund. Nonexpendable trust funds are used to account for fiduciary resources for which the principal may not be expended. The County Formation Revolving Fund is maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they become measureable and available to finance the current activities of the fund. Expenses are recognized in the accounting period in which they occur.

2. LOANS RECEIVABLE

Since the voters have defeated all attempts for new county formations, the affected counties are responsible for the repayment of the loans. At June 30, 1979, loans receivable amounting to \$148,284 are past due. Those counties affected by the repayment provisions of Government Code Section 23344 are seeking relief of liability through the state-mandated cost program in accordance with Section 2231 of the Revenue and Taxation Code.

3. OPERATING TRANSFERS IN

Chapter 465, Statutes of 1978 transferred \$300,000 from the General Fund to the County Formation Revolving Fund during the 1978-79 fiscal year.

cc: Members of the Legislature
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Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
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